



Lodestar Energy, Inc.
Mountain Operations
 White Oak Mines, Horizon Mine and Grand Valley Mines
 HC 35 Box 370
 Helper, Utah 84526

September 6, 2000

Ms. Pamela Grubaugh-Littig
 Utah Coal Program
 Utah Division of Oil, Gas and Mining
 1594 West North Temple, Suite 1210
 Salt Lake City, Utah 84114-5801

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Dear Ms. Grubaugh-Littig:

This letter is an update on the replacement of sureties for the White Oak Mines Permit No. ACT/007/001 and the Horizon Mine Permit No. ACT/007/020 by September 15, 2000.

We requested the original extension based on our assertion that Lodestar is in the midst of a financial restructuring, and the replacement of the Frontier Insurance Company bonding program would be part of that restructuring. Unfortunately, the reorganization of Lodestar's finances has not proceeded as quickly as we had hoped and expected. However, the restructuring is proceeding and due to deadlines associated with certain of Lodestar's financial commitments, the restructuring must be completed before the end of the year. We are requesting a further extension until December 31, 2000.

We would appreciate your consideration in allowing us until December 31st to replace these sureties.

If you have any questions concerning this issue, feel free to contact myself at (435)637-9200 or Eberley Davis – Lodestar General Counsel at (606)255-4006.

Sincerely,

David B. Miller

David B. Miller
 Business Manager

Cc: R. Eberley Davis – General Counsel
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 OIL, GAS AND MINING